



*The taxpayer's watchdog for over 80 years*

# ARIZONA TAX RESEARCH ASSOCIATION

---

## **ATRA SUPPORTS HB2380** ***Sales Tax (TPT) Audit Reform***

### **Background**

Arizona's historic 2013 transaction privilege tax (TPT) reforms targeted the longstanding administrative and compliance complications associated with the lack of a central auditing process in Arizona. Arizona is one of only a few states nationally that allows for an independent municipal sales tax structure where cities' tax bases can vary from the state, and cities are allowed to deploy their own auditors. The 2013 reforms were intended to limit city auditing to single location taxpayers in an effort to eliminate the considerable confusion associated with cities auditing multi-jurisdictional taxpayers. This meaningful reform has deteriorated over time as multijurisdictional taxpayers face more city audits. To the extent these audits are necessary, they should be conducted by the Arizona Department of Revenue (ADOR). Only upon approval from ADOR should a city have the ability to audit multi-jurisdictional taxpayers.

State statute also directs ADOR to coordinate uniform state and local audit functions through the Unified Audit Committee (UAC). However, in the most recent intergovernmental agreement between the Department and the cities and towns, the authority of UAC has been deferred to a non-statutory committee that diminishes the Department's authority over audit functions.

### **ATRA's Support**

HB2380 reinforces the Arizona Department of Revenue's authority to approve or deny a city or town's request to audit a TPT taxpayer located in more than one city or town. Furthermore, the proposal bolsters the responsibility of the UAC by requiring the Committee to establish and publish uniform guidelines to improve the uniformity of state and local TPT audits.